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March 12, 2001

Magalie Roman Salas, Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: Reply Comments on the "MAG Plan" - Notice of Proposed Rulemaking
CC Docket Nos. 00-256, 96-45, 98-77, and 98-166

Dear Ms. Salas:

Please find enclosed the original and fifteen (15) copies of the Reply Comments of Ronan Telephone Consumer Advisory Committee. The number of copies is calculated to permit each Commissioner to receive a personal copy.

Also enclosed is one extra copy, which I ask you to stamp as received and return to the messenger for our records.

Please call if I can be of assistance.

Respectfully submitted,

James Lister

James H. Lister

Enclosures

cc: International Transcription Services, Inc. (Disk Copy)
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington D.C. 20554

In the Matter of	)	
	)	
Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers	)	CC Docket No. 00-256
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation	)	CC Docket No. 98-77
	)	
Prescribing the Authorized Rate of Return For Interstate Services of Local Exchange Carriers	)	CC Docket No. 98-166

REPLY COMMENTS OF THE RONAN TELEPHONE CONSUMER ADVISORY COMMITTEE

The Ronan Telephone Consumer Advisory Committee (RTCAC) is a volunteer community-based organization with seven members, which meets periodically to consider telecommunications and technology issues effecting the Ronan community on the Flathead Indian Reservation of western Montana, and to advise the Ronan Telephone Company from the consumers perspective. The Committee filed initial comments in this matter on February 23, 2001.

The Committee reaffirms that the proposed MAG plan is contrary to the long-term best interests of rural subscribers in Ronan, and other rural areas of Montana and the nation. The reasons expressed in the initial comments are that the Plan will result in strikingly large local rate increases[1];

[1] For example, the SLC increase alone will result in RTC basic local rates increasing by almost 27%, and this rate only allows local calling to approximately 3000 end users. The consequence of this, is that a much higher percentage of the local customers telephone bill is expended for toll calling, particularly for short haul toll calling. This contrasts sharply with the typical urban local calling area that can consist of between 100,000 and 1,000,000 end users, which essentially eliminates the need for the typical urban end user to make short haul toll calls. Thus, this 27% increase has a much larger relative impact in a low income rural area than a similar increase would have in a typical urban area.

will reduce interstate access to unjustifiably low levels,[2] far lower than the costs of most rural companies. The Committee also does not believe that the MAG plan will result in any decrease in toll rates available to rural consumers. It is also illogical and contrary to telecommunications laws and policies to increase "subsidies" in order to reduce carrier access charges from compensatory levels to rates that are well below the rural ILEC's costs. Access charges at reasonable levels are *not* a subsidy to the LECs. but indeed a fee for services rendered and for the support of the wireline rural infrastructure.

AT&T's comments recommend that the access rates be reduced even further than the MAG proposal, to the "CALLS plan" levels; and they support accelerating the increase in SLC charges to the CALLS levels. This is completely inappropriate and would exacerbate the negative impacts of the Plan even further. AT&T's recommendations would result in a traffic sensitive rate of less than 1 cent per minute ($0.0095).

We've been advised that AT&T's proposal has no basis in law, economics or fact, with respect to the costs of rural service and the protection of universal service. It is unreasonable to contend that the costs to provide service in sparsely populated rural areas are the same as in dense

[2] The MAG Plan's 1.6 cent rate is only 16% of the current RTC intrastate access rate. Therefore, if MAG's adoption eventually leads to similar intrastate access levels, the resulting increase in local rates could exceed an astounding 325%. If the CALLs rate is adopted, and the RAS is eliminated (as can reasonably be expected if current political trends continue) this figure would increase to 500%.

metropolitan areas (i.e., the CALLS rate of $0.0095 per minute) and is not "within the range of reasonable economic costs that have been presented" (AT&T Comments, p. 7). In Montana alone, the FCC HCPM model predicts the average rural forward looking costs will be over 8 cents per minute (over 800% higher than AT&T's proposal).

AT&T suggests that the Plan's proposals to require long distance carriers to reduce long distance rates commensurate with the MAG's access charge reductions, prohibit minimum monthly charges, and offer rural and urban consumers the same calling plans, are "unnecessary" (pp. 19-20). The RTCAC disagrees with AT&T and we feel that IXC's should be given these obligations as part of an access charge reform package. RTCAC urges that any flow through requirement be structured so that it is real and enforceable (and not illusory due to minimal federal interstate rate regulation); and that rural ratepayers receive actual quantifiable benefits or rate reductions from their long distance carriers.

RTCAC favors prohibiting IXC minimum monthly charges, which will especially benefit low, fixed and middle income consumers and those who make few long distance calls. The RTCAC believes this would benefit many residents of the Flathead Indian Reservation along with similar areas in other parts of the country.

AT&T states that its proposed modifications to the MAG Plan would in sum, increase the size of the USF by $610 million annually (AT&T Comments, p. 10). AT&T also observes that the revenue per line (RPL) inflation adjustment would result in ever increasing subsidy payments (AT&T Appendix A, p. 1). The RTCAC strongly believes that the MAG Plan's dramatic shift from cost-based access charges to ever increasing subsidies is a morally flawed and unwise policy -- legally, economically and politically. AT&T and other commenters are undoubtedly correct that

MAG will dramatically increase the size of the Federal USF. In an era of fiscal conservatism and emerging competition in the local markets, MAG sends rural companies and the FCC in the wrong direction, and is seriously detrimental to the prime universal service goal of telecommunications policy.

NASUCA (National Association of State Utility Consumer Advocates) also urges rejection of the MAG Plan. It notes that the Plan as filed shifts costs from the federal jurisdiction to the state jurisdiction; including the SLC increases. "The MAG Plan seriously conflicts with the Telecommunications Act of 1996, and the basic components of the MAG Plan are flawed" because, it virtually assures higher prices, without meaningful reduction in regulation; assures lower quality of service, and fails to promote innovation or competition in either the local or long distance markets (NASUCA Comments, p. 3). The Plan presents virtually no data on the actual effects it will have. Residential and small business customers will in fact be worse off; and IXCs will receive implicit subsidies and will benefit. The increase in the SLC is contrary to economically efficient pricing, because it moves access to marginal or incremental cost and increases local service to above average costs. (NASUCA Comments, p. 5). The Plan allocates 100% of the joint and common costs related to loops to local exchange services, which is improper. The local loop is the basic component of the wireline switched network, and interstate toll also uses the loop. This is not economically efficient nor equitable. (NASUCA, p. 9).

RTCAC agrees with these insightful comments of NASUCA, that pricing at incremental or marginal cost sets a below average cost rate which completely excludes the costs to maintain the local loop (the single largest ILEC cost component) and excludes fixed, joint and common costs (NASUCA Comments, pp. 4-5). The MAG Plan is flawed economically for these reasons. The current carrier access charges include a component of fixed costs for the local loop, which the MAG Plan would shift to end user consumers (through the SLC increase) and to a new large subsidy mechanism (through the RAS mechanism). The result is not only a new large federal subsidy program, but a dramatic rate increase for rural consumers, including low, fixed and middle income persons on the Flathead Indian Reservation served by RTC.

In summary, the Ronan Consumer Advisory Committee strongly urges the FCC to reject the proposed MAG Plan, since it will dramatically increase local rates, through the SLC, will force rural LECs to sell services to long distance companies at far below costs, will put strong downward pressure on intrastate access rates, and upward pressure on basic local rates to compensate for lost revenues. These ill-conceived impacts are unjustified, and seriously detrimental to our rural economy.

Dated: March 8, 2001

Respectfully Submitted,
Ronan Telephone Company Consumer Advisory Committee

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